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MBA is the best bet for equitable futures

Private equity has a glamorous image but getting a job at a top firm is notoriously tough, so it's important to maximise your chances

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Private equity is a bit like Marmite – you either love it or hate it. Trade unions have branded it asset stripping, while to others it is a glamorous pursuit attracting large amounts of money into the economy and funding lavish lifestyles.

Private equity (PE) – investment in companies not listed on the Stock Exchange – has received plenty of press attention and as a consequence, PE courses and clubs are booming. Randy Myer, a professor of entrepreneurship at the University of North Carolina's Kenan-Flagler Business School, says: "In the old days many [students] aspired to be Jack Welch, but he is not necessarily the role model for the 21st century. Now they aspire to be head of the VC [venture capital] firm that took a stake in Google or the PE firm that turned around International Harvester."

Students at Kenan-Flagler are honing their asset-management skills by raising a \$3 million (£1.53 million) PE and VC fund (the two are often coupled). Christy Marshuetz Ferguson, one of four MBA students managing the fund, has her sights on a VC future. Ferguson, with a background in biotech and a part-time VC job, says: "It is exciting to be involved from the beginning [of a company]. I am particularly keen to see ideas... out of the lab turned into businesses that help people."

Ferguson is unusual in making a direct switch from science to finance – most students with PE or VC aspirations have industry experience or accept that they will need to serve a stint in investment banking or strategy consulting to stand a chance of getting what they want.

Josh Lerner, a professor of investment banking at Harvard Business School, says: "We see a lot more people who have gone into private equity prior to business school. They have a couple of years in investment banking and one or two years with a PE group... and more often than not return to PE after graduation." Lerner says that the credit crunch means that the large PE groups that have until recently dominated the market aren't hiring as aggressively now while other sectors – including green technology, investment in developing economies and distressed fund activity – remain robust. And when they do hire, they tend to want people with MBAs rather than specialist masters.

To get a job in the sector a broad business background is best. Tim Jenkinson, a professor of finance at Saïd Business School, in Oxford, says that PE funds look to hire people who can value companies and spot new business opportunities. "They don't need highly sophisticated financial skills. The best route is more likely to be an MBA than a masters in finance because you need more of an understanding of the strategic issues that firms face, where companies can create value from restructuring, what in a competitive market are the value drivers, etc," he says.

An understanding of finance is essential though and MBA students are advised to take a finance-heavy MBA with electives in PE or entrepreneurial finance. But even then don't hold your breath. "Many students have aspirations but few are realised," he says. Firms tend not to hire fresh MBA graduates. "PE companies don't offer training, they expect people to come with the skills, and investment banks and strat houses offer the best training."

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